MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2017/2018

BAB2024 – MANAGEMENT ACCOUNTING FOR MANAGERS

(All sections / Groups)

6 MARCH 2018
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 4 pages with 4 Questions only.
2. Answer **ALL** Questions
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

TSG101 is an industrial coffee machine sold by Cold Gold Enterprise. The following data are available for TSG101:

	RM
Sales price per unit	4,200
Variable expense per unit	1,620
Building rental per year	24,000
Equipment depreciation per year	7,000
Salary per year	90,000

Required:

(a) Calculate the breakeven point in sales dollars and in units for the TSG101.

(5 marks)

(b) Calculate the sale volume that must be achieved in order to obtain a target profit of RM18,000.

(5 marks)

(c) Prepare a projected income statement for the product TSG101 for the year ended 31 Dec 2018 if the expected sale is 150 units.

(5 marks)

(d) In 2018 strategic planning, the owner of Cold Gold Enterprise is considering these decisions:

(i) Hire a new sales assistant to specifically promote TSG101 to new markets. The salary of the new sales assistant will be RM1,200 per month or RM14,400 per year.

(ii) Commission the sales of TSG101 to an independent agent who will be paid RM420 for each TSG101 sold.

Which alternative will be the best decision to Cold Gold Enterprise? Show supporting cost analysis, if any. Discuss two factors, other than costs, that the enterprise should consider before making the decision?

(10 marks)

(Total: 25 marks)

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QUESTION 2

Bobby Moe Inc. manufactures two models of table lamps, the BX2 and FG4. Data regarding the two products follow:

Model	Annual production (units)	Direct labour hours/unit	Direct materials cost per unit (RM)	Machine hours per unit
BX2	5,000	1.8	72	2.2
FG4	30,000	0.9	50	1.4

The direct labour rate is RM8 per hour. There are two main activities in producing the lamps, namely machining and finishing. Machining is an automated, machine intensive process and finishing requires direct labour. The following overhead costs are associated with these two activities:

	Estimated overhead (RM)	Cost driver
Machining	422,400	Machine hours
Finishing	211,200	Direct labour hours
	633,600	

Required:

(a) Assume that the company uses direct labour cost as the base of applying overhead costs to products,

(i) Compute the pre-determined overhead rate.

(5 marks)

(ii) Compute the product cost per unit for BX2.

(5 marks)

(b) Assume that the company uses activity-based costing to assign manufacturing overhead to the products,

(i) Compute the pre-determined overhead rate for each activity cost pool.

(10 marks)

(ii) Compute the product cost for BX2.

(5 marks)

(Total: 25 marks)

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QUESTION 3

Suriram Enterprise makes coconut ice-cream which is supplied to various vendors. Each box of the ice-cream is priced at RM15. However, in March 2018, the company will revise the price to RM16 for each box of ice-cream. The expected sales for the first quarter of 2018 are shown below:

	January	February	March
Budgeted sales (box)	3,500	4,200	5,000

Past payment trend has shown that 20% of the month's sales are collected in the month of sale, another 70% is collected in the month following sale, and the remaining is collected in the second month following sale. Bad debt is minimal and negligible. In November 2017, 4,610 boxes were sold and in December 2017, 5,830 boxes were sold.

Required:

(a) Prepare the sales budget for Suriram Enterprise for the first quarter of 2018.

(5 marks)

(b) Prepare a schedule of expected cash collections from sales, by month and in total, for the first quarter.

(10 marks)

(c) Calculate the accounts receivable on 31 March 2018.

(5 marks)

(d) Recommend two strategies that Suriram Enterprise could adopt in order to reduce accounts receivable.

(5 marks)

(Total: 25 marks)

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QUESTION 4

Muchos Inc. produces a commercial floor cleaner known as Cleen. The direct materials and direct labour standard for one unit of Cleen are given below:

	Standard quantity or hours	Standard price or rate
Direct materials	4.8 kg	RM 2.70 per kg
Direct labour	0.4 hours	8.00 per hour

During January 2018, the following activity was recorded:

- A total of 18, 450 kg of material were purchased at RM2.80 per kg.
- All of the material purchased was used to produce 4,100 units of Cleen.
- A total of 1,230 hours of direct labour time was recorded at RM10,455.

Required:

(a) Compute the direct materials price and quantity variances for the month.

(6 marks)

(b) Compute the direct labour rate and efficiency variances for the month.

(6 marks)

(c) The following actual data is available for Muchos Inc. for the December 2017:

Total machine hours	38,000
Variable overhead costs	
Utilities	RM 16,700
Indirect labour	85,400
Supplies	26,800
Maintenance	43,800
Fixed overhead costs	
Supervision	37,000
Maintenance	94,200
Depreciation	83,400

- The variable overhead costs are assigned based on machine hours. The rates are as follows: Utilities = 0.60 per machine hour; Indirect labour = 2.40 per machine hour; Supplies = 0.50 per machine hour; Maintenance = 1.50 per machine hour.
- The budgeted fixed overhead is as follows: Supervision: RM35,000; Maintenance: RM95,000; Depreciation:RM83,400.

Prepare an overhead performance report for Muchos Inc. for the month ended 31 December 2017.

(13 marks)

(Total: 25 marks)

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